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ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

JUL 14 2006

Mr. Robert Rockwell
36140 East Antelope Drive
Post Office Box 1194
Wellton, Arizona 85356

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AZ CORP COMMISSION
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2006 JUL 14 P 2:09

RECEIVED

RE: MOHAWK UTILITY COMPANY, INC. - APPLICATION TO EXTEND A
CERTIFICATE OF CONVENIENCE AND NECESSITY.
DOCKET NO. W-02341-06-0040

SECOND INSUFFICIENCY LETTER

Dear Mr. Rockwell:

The application of Mohawk Utility Company Inc. ("Mohawk") to extend its Certificate of Convenience and Necessity ("CC&N"), Docket No. W-02341-06-0040, has not met the sufficiency requirements as outlined in the Arizona Administrative Code ("A.A.C.").

Below, each item from the February 22, 2006 Letter of Insufficiency is listed along with its status.

1. Provide the name of Mohawk's certified operator. **COMPLETE**
2. Provide the actions Mohawk has taken and plans to take to resolve the Major Deficiencies cited in the ADEQ Drinking Water Compliance Status Report dated February 3, 2006. **COMPLETE**
3. Provide written requests for service which require the extension of Mohawk's service territory. Include a legal description or a map indicating where the persons or entities requesting service will be located. *Only four requests for service were received from the sixteen customers in the extension area. Please provide the other twelve requests for service along with the request(s) for service for the northwest quarter of section 26 above Mohawk's current service territory and the area west of Mohawk's water plant in section 28. For each request provide a map showing the parcel(s) of land included per the request. Explain the rationale for including any parcel(s) not requesting water service from Mohawk. Also, the application will not be complete until the corrected legal*

description reflecting the area determined in the settlement with Tacna has been filed in the docket.

4. The response to Section J. of the application requesting estimates of the cost to construct utility facilities to serve customers in the requested area was "currently not needed." Please elaborate on this statement. *In order to determine if it is in the public interest for the Commission to approve the extension and to determine if Mohawk is a fit and proper entity to serve the proposed area, Staff needs to analyze the Company's plans to serve the area at issue. These plans should include a list of improvements, along with their estimated costs and schedule of completion. This list should be based on an estimated number of customers and estimated usage. Please provide this information. We understand that the plant is already in and in use for the areas in section 27 and the southwest quarter of section 26 but Staff needs to review the information relating to the extensions in the northwest quarter of section 26 and in section 28. Please include details such as well, pump and line sizes and locations.*
5. Describe the development in Mohawk's requested extension area referred to in the public comment portion of the Tacna Water Company's hearing on February 21, 2006. Include the location, the potential number of customers, estimated water usage and estimated costs to serve the development. *See #4.*
6. Please describe the source of financing that will be used to fund the extension of facilities needed to serve the proposed extension area. **COMPLETE**
7. Please provide a copy of the water supply agreement Mohawk has with the District. **COMPLETE**
8. In Decision 63260 Mohawk's application for an extension of its CC&N was denied except that Mohawk was authorized to continue to serve those existing customers residing outside of its certificated area. Please provide a list of those customers and any other customers currently being served outside Mohawk's certificated area and provide a map showing the location of each customer. **COMPLETE.**
9. Mohawk's 2004 Annual Report to the ACC indicates that Mohawk was not current in its property tax payments. Is Mohawk now current on its property taxes? If not, when will Mohawk become current? **COMPLETE.** *However, Mohawk should be aware that it is Staff's policy to not recommend approval of an extension of a CC&N when a company is not current on its property taxes. Non-payment of property taxes is an indication that a utility is not "fit and proper" to serve the extension area.*

10. Please provide a drinking water design report which clarifies how water will be provided to the proposed CC&N extension area. *See #4.*

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N extension area.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water?).

11. Please provide a copy of the Arizona Department of Water Resources Analysis of Adequate Water Supply for the proposed CC&N extension area. *The Company indicated in its response that it had contacted ADWR and was waiting for a reply.*
12. Please provide any other information which will allow the Commission to analyze and conclude that the Company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N extension area. **COMPLETE**
13. Please provide an estimate of the water facilities costs to Mohawk necessary to serve the proposed CC&N extension. The costs should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, etc.). *See #4. Provide a breakdown of the plant items and the unit costs used to calculate the estimate of \$500,000 to serve the additional area.*
14. Based on Staff's capacity calculations using data taken from the Company's 2004 Commission Annual Report Mohawk does not have sufficient storage capacity to service the existing customer base during times of peak usage. What plans does Mohawk have to increase its storage capacity? *Has Mohawk connected the two additional 10,000 gallon storage tanks to the system? If not, why haven't the tanks been connected and when will this work be completed?*

July 14, 2006

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If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0859 or Del Smith at 602-542-7277.

Yours truly,

A handwritten signature in cursive script, appearing to read "Linda A. Jaress".

Linda A. Jaress
Executive Consultant III

LAJ:tdp

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo